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Press Release - Corporate News

Luxembourg, 31 May 2024

CPI PROPERTY GROUP publishes financial results for the first quarter of 2024

CPI PROPERTY GROUP ("**CPIPG**" or the "**Group**"), a leading European landlord, hereby publishes unaudited financial results for the three-month period ending 31 March 2024.

"CPIPG's like-for-like rents continued to grow at healthy rates through a combination of positive rent reversion and indexation," said David Greenbaum, CEO. "Leverage, both value and earnings-based, declined during the first quarter and is on track to decline further as we progress on disposals."

Highlights for the first quarter of 2024 include:

- **Total assets were €21.5 billion**, and EPRA NRV (NAV) was €7.0 billion.
- **CPIPG's property portfolio was €19.2 billion** (versus €19.5 billion at year-end 2023), reflecting completed disposals and negative FX and valuation movements, partially offset by CapEx investments.
- **The Group has closed more than €600 million of disposals year-to-date** (€340 million in Q1 2024). In addition, **more than €600 million of signed disposals** are expected to close in the coming months.
- Despite disposals, **net rental income increased by almost 6% to €208 million**, supported by a **strong rental income growth of 5.5% on a like-for-like basis**. Net business income rose to €221 million.
- **Hotels had an excellent start to the new year** with a net income of €5 million, an increase of 12% compared to Q1 2023.
- **Consolidated adjusted EBITDA was €199 million; FFO1 increased to €111 million.**
- **Occupancy remained solid at 91.4%** with a stable WAULT of 3.5 years.
- **Net Loan-to-Value (LTV) decreased to 51.9%**, down 0.4 p.p. from year-end 2023. **Net LTV is 49.7% pro forma** only for disposals closed post-reporting date or to be closed in the coming months.
- **Net debt was reduced by more than €250 million** versus year-end.
- **Net debt/EBITDA declined by 0.6x to 12.5x** on an annualised basis.
- **Total available liquidity was €1.3 billion** at the end of Q1 2024. Net proceeds from disposals signed post-Q1 plus disposals signed and due to close soon will contribute €600 million to the Group's liquidity, complemented by new financings and possible minority equity transactions.
- **The average weighted debt maturity (4.6 years) and average cost of debt (3.12%)** were unchanged from year-end.
- **Unencumbered assets stood at 47%**, and **Net ICR was 2.5x**.

Hot Topics for Our Investors

While CPIPG understands the keen investor interest in some of the topics below, we look forward to refocusing the discussion onto our diversified, well-positioned, well-managed property portfolio as soon as possible.

Credit Ratings and Capital Structure

Today, S&P Global Ratings unexpectedly downgraded CPIPG from BBB- to BB+ with a negative outlook (please see our press release published earlier today, "Comments on Recent Events").

Based on our business plan, the Group expects to remain within S&P's rating thresholds for both a BBB- and BB+ rating with S&P adjusted debt to debt plus equity below 60%, an EBITDA interest coverage of above 1.8x, and a debt to annualised EBITDA below 14x-15x in 2024 and 13x-14x in 2025. Hence, the Group will target stabilising our outlook and eventually regaining our investment grade rating with S&P.

The additional five years of equity credit assigned by S&P to our perpetual notes as part of the rating change is a development CPIPG did not anticipate, as the Group always believed CPIPG could remain investment grade. Prior to the downgrade, CPIPG had been vocal about the fact that we value our hybrid bondholders, that we know many of our hybrid bondholders also own our senior unsecured bonds, and that we place a high value on market access and our reputation.

The Group will reevaluate our liability management options in the coming weeks and months and looks forward to deploying our liquidity to optimise our maturity profile and interest expense.

Liquidity and disposals

CPIPG has €184 million of debt maturities for the remainder of 2024, and €401 million in 2025. Nearly all the debt relates to secured bank loans. Because of the quality of CPIPG's assets, the Group is confident that secured lenders in our local markets will continue to be interested both in rolling over and new financing.

CPIPG has a €700 million revolving credit facility (RCF) with a large syndicate of banks maturing in January 2026. As the Group has prioritised repaying our bridge financing (now fully extinguished), and because of delayed regulatory approvals for certain disposals, the RCF was drawn. The current RCF balance is €460 million. CPIPG intends to repay and/or refinance the RCF before the end of 2024.

Since the end of Q1, the Group received about €150 million in net cash proceeds from disposals. €449 million in additional net proceeds are expected in Q2 / Q3 from disposals signed but not yet closed. The Group's disposal pipeline under discussion still exceeds €2 billion.

In total, the Group is currently in discussions with secured lenders for €267 million of fresh financing. While CPIPG prefers senior unsecured financing, for the moment secured financing has a lesser impact on our ICR. CPIPG sees ample opportunity to increase the scope of the Group's secured borrowing, if necessary, but also prefers to minimise structural subordination for our bondholders wherever possible.

As announced or commented previously, CPIPG is currently engaged in discussions with several highly respected international investors for up to €800 million of minority equity investments in Poland, Germany, and Italy. CPIPG sees benefits in the liquidity and flexible capital offered through these transactions but acknowledges drawbacks in terms of cost and complexity. Therefore, the Group seeks the right balance in terms of number and quantum. More details and decisions on these transactions should be expected in the coming months.

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CPIPG Liquidity Analysis

The table below demonstrates CPIPG's ample liquidity coverage of near-term maturities. Minority equity or new financing discussions would increase the level of available liquidity.

Amounts in €mm	Liquidity at Q1 '24	Disposals post-Q1 (net)	Disposals signed (net)	Active financing discussions	Total
CPIPG (Group)	1,302	150	449	267	2,168
Liquidity coverage (Q2 2024-2025)	**2.2x**				**3.7x**

Distributions and Shareholder Loans

As part of our ongoing deleveraging efforts, CPIPG will sharply reduce distributions relative to our target of 65% of FFO, just as we did in 2022 and 2023. As stated previously, the Group intends to distribute to our shareholders only via share buybacks going forward, with final decisions on distributions made in Q4 each year.

The Group's past practice of providing shareholder loans will be eliminated. More details on shareholder loans and related party transactions (policy, approach, and governance) can be expected from the Group over the summer, as announced on 24 May.

Selected actions occurring post-Q1

On 28 April, the Group signed a commitment agreement with Sona Asset Management regarding a proposed equity investment of €250 million in Poland.

On 2 May, the Group completed the sale of Crans-Montana Ski Resort for more than CHF 100 million.

On 6 May, IMMOFINANZ completed the sale of City Tower Vienna for more than €150 million.

On 7 May, CPIPG completed a successful €500 million green bond transaction, and fully repaid the remaining €460 million of bridge loans. With that, CPIPG successfully completed the repayment of around €2.7 billion in acquisition financings for IMMOFINANZ and S IMMO.

On 24 May, IMMOFINANZ commenced preparations for a squeeze-out of S IMMO, which would contribute significantly to simplification of the Group's structure and improve costs/EBITDA going forward.

On 29 May, S IMMO announced the disposal of several commercial and residential assets across German cities for a total transaction volume of €255 million.

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FINANCIAL HIGHLIGHTS

Performance		Q1-2024	Q1-2023	Change
Total revenues	€ million	412	410	0.5%
Gross rental income (GRI)	€ million	237	229	3.5%
Net rental income (NRI)	€ million	208	197	5.6%
Net hotel income	€ million	5	5	12.4%
Net business income (NBI)	€ million	221	213	3.9%
Consolidated adjusted EBITDA	€ million	199	198	0.6%
Funds from operations (FFO)	€ million	111	108	2.6%
Net profit for the period	€ million	41	53	(23.1 %)

Assets		31-Mar-2024	31-Dec-2023	Change
Total assets	€ million	21,465	21,930	(2.1%)
Property portfolio	€ million	19,183	19,531	(1.8%)
Gross leasable area	sqm	6,406,000	6,462,000	(0.9%)
Occupancy	%	91.4	92.1	(0.7 p.p.)
Like-for-like gross rental growth*	%	5.5	7.9	(2.4 p.p.)
Total number of properties**	No.	685	711	(3.7%)
Total number of residential units	No.	13,594	13,630	(0.3%)
Total number of hotel rooms***	No.	6,412	8,019	(20.0%)

* Based on gross headline rent
** Excluding residential properties in the Czech Republic
*** Including hotels operated, but not owned by the Group

Financing structure		31-Mar-2024	31-Dec-2023	Change
Total equity	€ million	8,231	8,257	(0.3%)
EPRA NRV (NAV)	€ million	6,964	7,033	(1.0%)
Net debt	€ million	9,965	10,220	(2.5%)
Net Loan-to-value ratio (Net LTV)	%	51.9	52.3	(0.4 p.p.)
Net debt/EBITDA	x	12.5x	13.1x	(0.6x)
Secured consolidated leverage	%	24.0	24.0	--
Secured debt to total debt	%	47.1	46.5	0.6 p.p.
Unencumbered assets to total assets	%	47.1	47.8	(0.7 p.p.)
Unencumbered assets to unsecured debt	%	176%	174%	2.0 p.p.
Net interest coverage (Net ICR)	x	2.5x	2.5x	--

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*

	Three-month period ended	
(€ million)	31 March 2024	31 March 2023
Gross rental income	237.2	229.2
Service charge and other income	105.9	116.4
Cost of service and other charges	(96.6)	(104.2)
Property operating expenses	(38.2)	(44.2)
Net rental income	**208.3**	**197.2**
Development sales	8.4	-
Development operating expenses	(8.4)	-
Net development income	**-**	**-**
Hotel revenue	32.5	37.5
Hotel operating expenses	(27.1)	(32.7)
Net hotel income	**5.4**	**4.8**
Other business revenue	28.2	27.0
Other business operating expenses	(20.6)	(16.0)
Net other business income	**7.6**	**11.0**
Total revenues	**412.2**	**410.1**
Total direct business operating expenses	**(190.9)**	**(197.1)**
Net business income	**221.3**	**213.0**
Net valuation loss	(22.6)	(6.6)
Net loss on disposal of investment property and subsidiaries	(4.2)	(1.7)
Amortization, depreciation and impairment	(16.1)	(17.8)
Administrative expenses	(32.6)	(26.6)
Other operating income	5.5	3.5
Other operating expenses	(4.5)	(3.8)
Operating result	**146.8**	**160.0**
Interest income	10.1	6.0
Interest expense	(89.9)	(75.4)
Other net financial result	(21.4)	(30.2)
Net finance costs	**(101.2)**	**(99.6)**
Share of gain of equity-accounted investees (net of tax)	5.5	8.2
Profit before income tax	**51.1**	**68.7**
Income tax expense	(10.3)	(15.7)
Net profit from continuing operations	**40.8**	**53.0**

** The presented financial statements do not represent a full set of interim financial statements as if prepared in accordance with IAS 34*

Gross rental income

Gross rental income increased by €8.0 million (3.5%) to €237.2 million in Q1 2024 compared to Q1 2023. The increase was primarily driven by rent indexation.

Property operating expenses

Property operating costs decreased by €6.0 million in Q1 2024 compared to Q1 2023, primarily due to lower repairs, maintenance, and personnel costs.

Administrative expenses

Administrative expenses increased by €6.0 million in Q1 2024 compared to Q1 2023, primarily due to an increase in admin payroll costs and overall advisory costs.

Net valuation loss

Net valuation loss of €22.6 million in Q1 2024, represented primarily by revaluation loss generated by S IMMO.

Interest expense

Interest expense increased by €14.5 million in Q1 2024 compared to Q1 2023, mainly due to an overall increase in the cost of financing. IMMOFINANZ and S IMMO interest expense increased by €6.8 million and €9.4 million, respectively.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION*

(€ million)	31 March 2024	31 December 2023
NON-CURRENT ASSETS		
Intangible assets and goodwill	81.6	129.8
Investment property	16,980.6	17,262.6
Property, plant and equipment	631.0	866.5
Deferred tax assets	117.2	118.2
Equity accounted investees	804.9	717.2
Other non-current assets	591.8	452.0
Total non-current assets	**19,207.1**	**19,546.3**
CURRENT ASSETS		
Inventories	69.8	73.5
Trade receivables	239.5	227.8
Cash and cash equivalents	920.2	1,022.6
Assets linked to assets held for sale	699.4	722.7
Other current assets	329.3	337.3
Total current assets	**2,258.2**	**2,383.9**
TOTAL ASSETS	**21,465.3**	**21,930.3**
EQUITY		
Equity attributable to owners of the Company	5,511.2	5,567.6
Perpetual notes	1,600.9	1,585.1
Non-controlling interests	1,119.0	1,104.5
Total equity	**8,231.1**	**8,257.2**
NON-CURRENT LIABILITIES		
Bonds issued	4,287.6	4,274.1
Financial debts	5,787.9	6,325.7
Deferred tax liabilities	1,495.7	1,547.7
Other non-current liabilities	207.0	223.7
Total non-current liabilities	**11,778.2**	**12,371.2**
CURRENT LIABILITIES		
Bonds issued	43.8	209.2
Financial debts	748.5	412.2
Trade payables	177.4	218.3
Other current liabilities	486.3	462.1
Total current liabilities	**1,456.0**	**1,301.8**
TOTAL EQUITY AND LIABILITIES	**21,465.3**	**21,930.2**

** The presented financial statements do not represent a full set of interim financial statements as if prepared in accordance with IAS 34*

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Total assets

Total assets decreased by €465.0 million (2.1%) to €21,465.3 million as at 31 March 2024 compared to 31 December 2023. The decrease relates primarily to disposals of investment property (€133.4 million), negative foreign retranslation effect on investment property (€104.0 million) and decrease of property, plant and equipment (€235.0 million), related to the sale of hotels portfolio to the newly established joint venture.

Total liabilities

Total liabilities decreased by €438.8 million (3.2%) to €13,234.2 million as at 31 March 2024 compared to 31 December 2023, primarily due to a decrease in financial debts (€201.5 million) and bonds issued (€151.9 million).

Equity and EPRA NRV

Total equity decreased by €26.1 million from €8,257.2 million as at 31 December 2023 to €8,231.1 million as at 31 March 2024. The movements of equity components were as follows:

- Increase due to the profit for the period of €40.8 million (profit to the owners of €7.6 million);
- Increase in retained earnings due to sale of hotel portfolio to newly established joint venture (€23.8 million);
- Decrease in translation, revaluation and hedging reserve of €87.6 million;
- Net interests to perpetual notes holders of €15.7 million;
- Increase of NCI in the period of €14.4 million.

EPRA NRV was €6,964 million as at 31 March 2024, representing a decrease of 1.0% compared to 31 December 2023. The decrease of EPRA NRV was driven by the above changes in the Group's equity attributable to the owners (increase of retained earnings and decrease of translation, revaluation and hedging reserves).

	31 March 2024	31 December 2023
Equity attributable to the owners (NAV)	**5,511**	**5,568**
Diluted NAV	**5,511**	**5,568**
Fair value of financial instruments	(101)	(93)
Deferred tax on revaluations	1,596	1,601
Goodwill as a result of deferred tax	(43)	(43)
EPRA NRV (€ million)	**6,964**	**7,033**

GLOSSARY

Alternative Performance Measures (APM)	Definition	Rationale
Consolidated adjusted EBITDA	Net business income as reported deducting administrative expenses as reported.	This is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the Group's depreciation and amortisation policy and capital structure or tax treatment. It is one of the fundamental indicators used by companies to set their key financial and strategic objectives.
Consolidated adjusted total assets	Consolidated adjusted total assets is total assets as reported deducting intangible assets and goodwill as reported.	
EPRA Net Reinstatement Value (NRV)	EPRA NRV assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.
Funds from operations or FFO	It is calculated as net profit for the period adjusted by non-cash revenues/expenses (like deferred tax, net valuation gain/loss, impairment, amortisation/depreciation, goodwill etc.) and non-recurring (both cash and non-cash) items. Calculation also excludes accounting adjustments for unconsolidated partnerships and joint ventures.	Funds from operations provide an indication of core recurring earnings.
Net debt/EBITDA	It is calculated as Net debt divided by Consolidated adjusted EBITDA.	A measure of a company's ability to pay its debt. This ratio measures the amount of income generated and available to pay down debt before covering interest, taxes, depreciation and amortisation expenses.
Net ICR	It is calculated as Consolidated adjusted EBITDA divided by a sum of interest income as reported and interest expense as reported.	This measure is an important indicator of a firm´s ability to pay interest and other fixed charges from its operating performance, measured by EBITDA.
Net Loan-to-Value or Net LTV	It is calculated as Net debt divided by fair value of Property Portfolio.	Loan-to-value provides a general assessment of financing risk undertaken.
Secured consolidated leverage ratio	Secured consolidated leverage ratio is a ratio of a sum of secured financial debts and secured bonds to Consolidated adjusted total assets.	This measure is an important indicator of a firm´s financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt - properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales.
Secured debt to total debt	It is calculated as a sum of secured bonds and secured financial debts as reported divided by a sum of bonds issued and financial debts as reported.	This measure is an important indicator of a firm´s financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt - properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales.
Unencumbered assets to total assets	It is calculated as total assets as reported less a sum of encumbered assets as reported divided by total assets as reported.	This measure is an important indicator of a commercial real estate firm´s liquidity and flexibility. Properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales. The larger the ratio of unencumbered assets to total assets, the more flexibility a company generally has in repaying its unsecured debt at maturity, and the more likely that a higher recovery can be realized in the event of default.
Unencumbered assets to unsecured debt	It is calculated as unencumbered assets as reported divided by a sum of unsecured bonds and unsecured financial debts as reported.	This measure is an additional indicator of a commercial real estate firm's liquidity and financial flexibility.

Non-financial definitions	Definition
Company	CPI Property Group S.A.
Property Portfolio value or PP value	The sum of value of Property Portfolio owned by the Group
Gross Leasable Area or GLA	Gross leasable area is the amount of floor space available to be rented. Gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the property owner.
Group	CPI Property Group S.A. together with its subsidiaries
Net debt	Net debt is borrowings plus bank overdraft less cash and cash equivalents.
Occupancy	Occupancy is a ratio of estimated rental revenue regarding occupied GLA and total estimated rental revenue, unless stated otherwise.
Property Portfolio	Property Portfolio covers all properties and investees held by the Group, independent of the balance sheet classification, from which the Group incurs rental or other operating income.

APM RECONCILIATION*

EPRA NRV reconciliation (€ million)	31-Mar-24	31-Dec-23
Equity attributable to owners of the company	**5,511**	**5,568**
Effect of exercise of options, convertibles and other equity interests	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	**5,511**	**5,568**
Revaluation of trading property and property, plant and equipment	0	0
Fair value of financial instruments	(101)	(93)
Deferred tax on revaluation	1,596	1,601
Goodwill as a result of deferred tax	(43)	(43)
EPRA NRV	**6,964**	**7,033**

Net LTV reconciliation (€ million)	31-Mar-24	31-Dec-23
Financial debts	6,536	6,738
Bonds issued	4,331	4,483
Net debt linked to assets held for sale	17	22
Cash and cash equivalents	(920)	(1,023)
Net debt	**9,965**	**10,220**
Total property portfolio	**19,183**	**19,531**
Net LTV	**51.9%**	**52.3%**

Net Interest coverage ratio reconciliation (€ million)	Q1-2024	FY 2023
Interest income	10	39
Interest expense	(90)	(348)
Consolidated adjusted EBITDA	199	778
Net Interest coverage ratio	**2.5x**	**2.5x**

Secured debt to total debt reconciliation (€ million)	31-Mar-24	31-Dec-23
Secured bonds	0	0
Secured financial debts	5,128	5,232
Total debts	10,888	11,257
Secured debt to total debt	**47.1%**	**46.5%**

* Totals might not sum exactly due to rounding differences.

Unencumbered assets to total assets reconciliation (€ million)	31-Mar-24	31-Dec-23
Bonds collateral	0	0
Bank loans collateral	11,349	11,440
Total assets	21,465	21,930
Unencumbered assets ratio	**47.1%**	**47.8%**

Consolidated adjusted EBITDA reconciliation (€ million)*	Q1-2024	Q1-2023
Net business income	221	213
Administrative expenses	(33)	(27)
Other effects	10	11
Consolidated adjusted EBITDA	**199**	**198**

Funds from operations (FFO) reconciliation (€ million)*	Q1-2024	Q1-2023
Net profit/(loss) for the period	41	53
Deferred income tax	(3)	20
Net valuation gain or loss on investment property	(23)	(7)
Net valuation gain or loss on revaluation of derivatives	14	(30)
Net gain or loss on disposal of investment property and subsidiaries	(4)	(2)
Net gain or loss on disposal of PPE/other assets	(1)	0
Amortization, depreciation and impairments	(16)	(18)
Other non-cash items	(38)	(1)
GW/Bargain purchase	0	0
Other non-recurring items	0	(24)
Share on profit of equity accounted investees/JV adjustments	5	8
Other effects	5	3
Funds from operations	**111**	**108**

Secured consolidated leverage ratio reconciliation (€ million)	31-Mar-24	31-Dec-23
Secured bonds	0	0
Secured financial debts	5,128	5,232
Consolidated adjusted total assets	21,384	21,800
Secured consolidated leverage ratio	**24.0%**	**24.0%**

Unencumbered assets to unsecured debt reconciliation (€ million)	31-Mar-24	31-Dec-23
Total assets	21,465	21,930
Bonds collateral	0	0
Bank loans collateral	11,349	11,440
Total debt	10,888	11,257
Secured bonds	0	0
Secured financial debts	5,128	5,232
Unencumbered assets to unsecured debt	**176%**	**174%**

* Includes pro-rata EBITDA/FFO for Q1 2024 and Q1 2023 of Equity accounted investees.

Property portfolio reconciliation (€ million)	31-Mar-24	31-Dec-23
Investment property – Office	7,953	8,035
Investment property - Retail	4,734	4,801
Investment property - Landbank	1,884	1,930
Investment property - Residential	1,393	1,424
Investment property - Development	693	726
Investment property - Agriculture	135	139
Investment property - Other hospitality	101	102
Investment property - Other	44	44
Investment property - Industry & Logistics	43	60
Investment property - Hospitality	0	--
Property, plant and equipment - Hospitality	547	775
Property, plant and equipment - Other	24	18
Property, plant and equipment - Office	18	3
Property, plant and equipment - Agriculture	16	16
Property, plant and equipment - Development	11	11
Property, plant and equipment - Residential	7	6
Property, plant and equipment - Retail	6	1
Property, plant and equipment - Landbank	1	1
Property, plant and equipment - Mountain resorts	0	--
Equity accounted investees	805	717
Inventories - Development	63	65
Inventories – Agriculture	3	--
Inventories - Landbank	2	2
Inventories – Office	1	--
Inventories – Other	0	--
Inventories – Hospitality	0	--
Inventories – Retail	0	--
Inventories – Mountain resorts	0	--
Inventories – Residential	0	--
Inventories – Hotels rented	0	--
Assets held for sale	696	653
Total	**19,183**	**19,531**

Net debt/EBITDA reconciliation (€ million)	31-Mar-24	31-Dec-23
Net debt	9,965	10,220
Net business income*	885	874
Administrative expenses*	(130)	(138)
Other effects*	41	42
Net debt/EBITDA	**12.5x**	**13.1x**

*Annualised.

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For more on CPI Property Group, visit our website: www.cpipg.com
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